DAWN

OPINION

Beyond extraction

PAKISTAN's first shipment of critical minerals to America in October last year, following a $500m agreement between a US company and the Frontier Works Organisation, was a milestone in an otherwise underdeveloped sector. However, the feat also indicates how much work remains to be done before mineral wealth can contribute meaningfully to economic growth in the country. In a recent policy note, ICMAP, the accountant body in Pakistan, reminds us that the export of raw critical minerals is not success in itself but merely the first step towards integrating Pakistan into higher-value, compliant global supply chains. It points out that the export of raw or semi-processed minerals will do little to ease balance-of-payments pressures or broaden Pakistan's narrow industrial base. The real test — and reward — lies in moving beyond extraction towards building an integrated domestic value chain that spans exploration, processing, and refining.

Dependence on raw exports tends to trap developing economies in low margins, price volatility and limited job creation. Through critical minerals, Pakistan can avoid that outcome by investing in downstream processing and diversifying into manufacturing industries that rely on rare earths and other strategic inputs — from e-vehicles and renewable energy equipment to advanced defence technologies. However, such a transformation will not be smooth. Fragmented governance, shifting regulations, weak environmental and social oversight, the near complete absence of processing capacity, and inadequate infrastructure continue to deter serious investment. Security concerns and a shortage of skilled labour have compounded the problem. As a result, a sector sitting on an estimated $8tr in mineral resources still contributes less than 3pc to the national economic output.

Unless these structural constraints are addressed, much of this wealth will either remain buried or be exported cheaply to developed economies. Since rare earths are critical to modern economies, required for everything from smartphones and wind turbines to e-vehicles and military systems, including fighter jets, missiles and satellites, the emerging global geopolitics complicates the challenge. Washington's renewed engagement with Pakistan reflects its efforts to diversify supply chains and reduce its dependence on China, which accounts for more than 60pc of global rare earth mining and around 92pc of processing capacity. Pakistan's potential role in an alternative supply chain may not sit comfortably with Beijing. Handled prudently, this sector can become an important pillar of industrial and export diversification and balance-of-payments stability. Mishandled, it can lock the economy into a familiar rut of low growth without structural transformation. The choice before the government is a familiar one.

Recycling illusion

PLASTIC is everywhere — in our homes, our food, our water and even our bodies. For years, we have been told that this problem can be managed if people recycle carefully. But, as former US environmental official Judith Enck argues in her new book *The Problem with Plastics*, that belief is misleading. The idea that plastic recycling can solve the pollution crisis is an illusion, promoted while plastic production rises unchecked. In reality, only a small share of plastic is ever recycled. Most is dumped in landfills, burned in the open or carried by rivers into the sea. Unlike glass or metal, plastic comes in thousands of varieties, making it costly and difficult to recycle at scale. New claims about 'chemical recycling' have been presented as breakthroughs, but these facilities handle only tiny amounts of waste and often turn plastic into fuel, adding to pollution. Pakistan is living with the consequences of this failure every day. Single-use plastic packaging dominates markets and shops, while waste collection systems remain weak. Plastic bags clog drains, worsen flooding during rains and contaminate rivers. Much of what is collected is handled by informal waste pickers working without protection, regulation or support. Their efforts help, but they cannot manage a problem of this size. Government action has been uneven. Plastic bag bans have been announced in several provinces, yet enforcement is poor and cheap alternatives are scarce. At the same time, plastic remains inexpensive to produce, encouraging continued use by manufacturers and retailers. As elsewhere in the world, responsibility is quietly shifted to consumers, even though their choices are limited.

What is required is a change in direction. Recycling alone will not work if plastic production keeps growing. Governments worldwide must reduce plastic at its source by limiting new plastic production, banning unnecessary single-use items and making producers responsible for the waste their products create. Deposit schemes, clear labelling for use and penalties for excessive packaging should become standard. In Pakistan, authorities must strengthen waste segregation, regulate burning and incineration, and support affordable, locally made alternatives to plastic. Public awareness campaigns are important, but they cannot replace firm regulation. Plastic pollution is not a problem of careless consumers. It is a policy failure and one that will only deepen unless governments stop treating recycling as a cure-all and start confronting production itself.

Cricket hypocrisy

BANGLADESH stood firm in its demand, and suffered at the hands of the global cricket body that is under India's thumb. Their refusal to play their matches of the Twenty20 World Cup in India has seen them being replaced by Scotland in a move that underlines how political the game of cricket has become. The sport was once used as a means of easing political tensions, yet, at every tournament there is a dispute involving teams; especially those from the South Asian region and it ends with the International Cricket Council bowing to India's demands. Bangladesh had accused the ICC of hypocrisy after its request to have its matches shifted to World Cup co-hosts Sri Lanka was turned down. An issue that stemmed from the Board of Control for Cricket in India asking Indian Premier League franchise Kolkata Knight Riders to release Bangladesh pacer Mustafizur Rahman due to 'recent developments' has spiralled into a stand-off before the World Cup that begins on Feb 7.

India-Bangladesh tensions spiked last year after the government of Sheikh Hasina, a close ally of New Delhi, was toppled in Dhaka. Bangladesh is due to hold elections during the World Cup and it was taking a leaf out of India's book to deliver a political message through cricket. India had refused to travel to Pakistan for the Champions Trophy last year, leading to an arrangement that will see the Salman Ali Agha's men play their matches in Sri Lanka. Bangladesh has similarly raised security concerns over playing in India but found no respite. It has hinted at taking its appeal to the Court for Arbitration in Sport. While Bangladesh have challenged India's hegemony, the fact remains that once again, South Asian politics have spilled over into sport. Perhaps it is time that the cricketing world came together and arrived at a decision to keep politics out of the game.

BY MALEEHA LODHI

Board of contention

The second phase of Trump's Gaza plan is mired in controversy and an uncertain future.

IN launching the second phase of his peace plan for Gaza, President Donald Trump announced a complex four-tier governance framework with Palestinians given no representation in the top three tiers and included only in a 'technocratic committee' with responsibility for little more than municipal affairs.

Trump placed himself at the head of the founding executive council of the Board of Peace to oversee Gaza's governance. This is comprised of mostly pro-Israel Americans including his son-in-law, Tony Blair and a billionaire, with no representative from the Muslim world. This effectively means a colonial-style arrangement with outsiders being in control of Gaza. Not surprisingly, it met with strong disapproval from Palestinians. A Gaza Executive Board was established as a second-level council with several overlapping members from the top tier.

What attracted global attention and controversy was Trump's proposal for an international Board of Peace, for which heads of 59 countries were invited. Notably, it excluded Palestinians. When its charter was leaked, it kicked off a diplomatic storm as it made no mention of Gaza but set itself up as a US-controlled global 'organisation' for 'peace-building' to rival the UN Security Council in its primary role in the maintenance of international peace and security. Trump himself made this explicit when he declared the Board could replace the UN. While its legality appeared doubtful, its broad remit extended to mediating global conflicts beyond Gaza.

The charter referred to the "need for a more nimble and effective international peace-building body", berating "institutions that have too often failed". It gave Trump, as chairman, sweeping authority and veto power, with his approval essential for all decisions and with final authority on all disputes. Member states will serve three-year terms and are expected to contribute to Gaza's reconstruction, while countries paying a billion dollars would secure permanent membership. The latter evoked justified criticism across the world. The organisation itself is to exist well beyond Trump's term in office, which raises questions about how an entity tied to his person and family/friends would survive beyond his presidency.

Trump's aim in setting up this body is apparent. It is a smokescreen or cover to show he has international support and legitimacy for his unilateral plans not just in Gaza but beyond, without member states having any say or power. This means securing global endorsement for even yet-to-be-unveiled initiatives by him without consultation with member countries.

For a variety of reasons, many countries responded cautiously or sceptically to Trump's invitation. Some, angered by his threat to seize Greenland, were quick to say no, such as France. Trump responded by threatening to raise tariffs on French wine. Spain, Norway, Sweden, Denmark and Slovenia also declined. The UK said it won't join for now, citing the invitation to Russian President Vladimir Putin. Some countries announced their prompt acceptance, including Pakistan and Israel. Others voiced reservations about an organisation that would undermine the UN. Many held off or hedged when the Board's signing ceremony was announced for Jan 21 at Davos.

An analysis in the *Financial Times* noted that among the Board's inaugural members at Davos were "Six monarchs, three ex-Soviet apparatchiks, two military-backed regimes and a leader sought by the International Criminal Court for alleged war crimes". It also said "joining [it] runs the risk not just of looking subservient … [but] … also flirts with violating international law". The *Guardian*'s editorial described the Board as an "international body in service to one man's ego". Amnesty International saw the Board's establishment as a "brazen disregard for international law". The human rights body also said "It represents a stark new manifestation of the escalating assault on United Nations mechanisms, international justice institutions and universal norms".

The first test of the Board's international acceptability came at Davos. Fewer than 20 countries signed to join the Board, including the prime minister of Pakistan. True, there were others who announced to join that weren't present in Davos. Nevertheless, the Board's inauguration ceremony hardly reflected international enthusiasm or lived up to its hype by the Trump administration. No leader from Western Europe was present in what appeared to be a collective boycott. Meanwhile, the Board's effectiveness was widely questioned across the world.

But beyond the convoluted governance structure, actions taken to implement the second phase of the Gaza plan are what will really matter. The plan has to meet the reality on the ground. In considering this, it is apparent the first phase of the ceasefire has not seen full compliance by Israel. The Israeli military has continued to daily violate the ceasefire, killing over 450 Palestinians since October, when the ceasefire came into force. Israel's severe restrictions on aid have not significantly eased Gaza's humanitarian crisis. In the West Bank, Israel's assaults and settler violence have created a nightmare for Palestinians. Above all, Tel Aviv remains noncommittal about Israeli withdrawal from Gaza, a core requirement of the peace plan. Recent statements by Trump put the onus on Hamas rather than both parties to take the next steps. At Davos, he again warned Hamas must disarm, otherwise it will be the end of them. He said nothing about Israel's obligation to withdraw from Gaza.

The issue of disarming Hamas remains unresolved. The Palestinian resistance group insists this won't happen until Israeli occupation ends and Palestinian statehood is assured. Without an Israeli commitment to withdraw from Gaza, it is unclear how demilitarisation will proceed. Then there is the contentious question of the International Stabilisation Force, which is supposed to be deployed soon. But no country has yet made a firm commitment to contribute troops because its mandate and rules of engagement have not been spelt out, much less agreed to. The only announcement is of an American major general heading the force. Hamas remains opposed to the deployment of foreign troops, which it sees as playing a role against the Palestinian resistance if their mandate is to disarm it. It is thus far only willing to accept a force deployed at the borders under UN supervision.

All this suggests many hurdles lie ahead to execute a plan that still doesn't have full buy-in from the two principal parties — Israel and Hamas. While the Palestinians wait for peace and justice, the risk remains of the plan going awry and resulting in a messy situation. ■

The writer is a former ambassador to the US, UK and UN.

BY ZAFAR MASUD

Bonding for impact

IN an era of shrinking fiscal space and expanding developmental needs, governments across the Global South face a common dilemma: how to invest in human capital without deepening public debt or wasting scarce resources on poorly targeted programmes. Pakistan's newly launched Pakistan Skills Impact Bond (PSIB) offers a compelling answer — and one that deserves international attention.

The PSIB is Pakistan's first outcome-based social impact bond, structured as a Rs1 billion rated term finance certificate, fully guaranteed by the federal government. But to see it merely as a financial instrument would be to miss its broader significance. At its core, the PSIB represents a policy shift from 'funding intentions' to 'funding results', and from 'public expenditure' to 'outcome accountability'.

For decades, skills development in emerging economies has relied on grants and budgetary allocations that reward activity rather than impact. Training centres are financed, courses delivered and reports filed; yet labour market outcomes often remain feeble. The PSIB reverses this logic. Under its 'pay-for-success' model, private capital finances vocational training upfront. Public funds are released only when independently verified outcomes — such as job placement and sustained employment — are achieved. In other words, the state, or for that matter any other granting agency, pays not for training itself, but for employability.

This distinction matters. By linking payments to results, the impact bonds align incentives across government agencies, service providers and investors. It also embeds monitoring, verification and evaluation into the financial structure itself — the features frequently recommended by multilateral institutions but rarely implemented at scale.

Free-market supporters often criticise the fact that sovereign support undermines market discipline. Globally, priority-sector financing — especially in education, health and social protection — has never scaled without some form of public risk participation, even in quintessential advanced capitalist economies.

Pakistan's recent policy interventions reinforce this lesson. The federal government's first-loss guarantees and the Punjab government's interest-free financing support have catalysed a sharp expansion in private sector credit: amounts and borrowers have risen by roughly 41 per cent and 56pc in the small and medium enterprises sector, 8pc and 11pc in agriculture, and nearly more than doubled in the women-led enterprises in one year alone.

The PSIB applies the same logic to human capital. By providing a sovereign guarantee for the pilot phase, the Pakistan government has lowered entry barriers for private investors, allowing the market to engage with a new asset class — social outcomes — without bearing untested risks. This is not fiscal imprudence; it is targeted de-risking to unlock private participation. This proof of concept will surely attract local and international DFIs, private sector outcome funders to meet the suppressed demand for much-needed social and priority sectors' financing in Pakistan, which is absolutely imperative for turning the economic growth tide and ensuring its sustainability.

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Institutionally, the PSIB breaks new ground. The National Vocational and Technical Training Commission acts both as issuer and outcome funder, embedding accountability within the public sector itself. Public sector banks, meanwhile, serve as risk investors and underwriters, assuming performance risk and enabling the blended finance structure.

Support from international partners has been critical. The British Asian Trust, acting as transaction adviser and programme manager, has brought global best practices in outcome-based financing. Backing from the Foreign, Commonwealth & Development Office has strengthened credibility, reduced transaction costs and helped position the PSIB within a broader international impact-investment ecosystem.

This division of roles matters. The state defines priorities and pays for outcomes. The financial sector prices in risk and enforces discipline. Service providers focus on delivery. Each actor does what it does best — an approach often advocated in theory, but rarely realised in practice.

Social impact bonds are not new. Variants have been tested in the UK, India and parts of Africa. What distinguishes Pakistan's approach is its sovereign-scale innovation. The PSIB integrates government funding with private sector participation as an outcome funder, significantly expanding the potential funding envelope for social and priority sectors while retaining strict performance conditions. This hybrid model — applied at a national level — is being implemented for the first time internationally and is already attracting interest from other countries seeking fiscally responsible ways to scale social investment.

Financial innovation alone will not justify the PSIB; its success will ultimately be judged by whether young Pakistanis secure jobs, whether women enter the workforce in greater numbers, and whether skills training translates into sustained economic participation.

Yet from a policy perspective, the significance is already clear. The PSIB establishes a replicable template for financing education, health, climate adaptation, and other priority sectors: one that preserves fiscal discipline while rewarding effectiveness. For governments struggling with debt constraints and donor fatigue, this approach offers a credible alternative to business as usual.

The lesson from PSIB is not that every country should copy the instrument wholesale. It is that development finance works best when governments stop trying to do everything themselves, and instead use public balance sheets strategically to mobilise private capital towards clearly defined outcomes. In that sense, the PSIB is less about a bond, and more about a mindset shift — one that emerging economies, and their development partners, would do well to study closely. ■

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